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Report Highlights:

Wheat import deal finalized, *Wheat import duty lowered*, *Surge in wheat imports unlikely despite duty cut*, *Monsanto liable for contempt of Court: Andhra*, *Research windfall for agriculture*, *Indigenously developed Bt cotton likely by 2007-08*, *GM brinjal not harmful to environment, says Monsanto*, *Reliance says its ready for retail*.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

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WHEAT IMPORT DEAL FINALIZED

The State Trading Corporation of India (STC) finalized the contract to import 2.2 million tons of wheat under its latest tender issued on June 12, 2006. The five companies awarded the contract with their respective quantities (metric ton) are:

Glencore	550,000
ADM	300,000
Cargill	405,000
Toepfer	720,000
Concordia	225,000
TOTAL	2,200,000

Prices of winning bids reportedly range from \$196 to \$206 per ton (C&F) at various ports for various months, with the average price at \$198 per ton. The bulk of the wheat, to arrive between September 2006 and January 2007 in Mumbai, Kandla, Mundra, and Vizagh ports, is of Europe, Russia, Canada and Argentina origins. The bids of three other companies (Bunge, Teuton, and Noble Grain), one offering US wheat, were rejected, due to higher prices or on quality grounds. The AWB Ltd., which participated in the earlier two tenders, did not participate in the June 12 tender. (Various Press reports and trade sources)

WHEAT IMPORT DUTY LOWERED

Reacting to the surge in domestic wheat prices, the Ministry of Finance, through a press release issued on June 28, 2006, announced the lowering of the duty for wheat imported by private companies from 50% to 5% effective June 28, 2006, through December 31, 2006. Quality standards applicable will be the same as for the recent STC tender on government account. (Ministry of Finance Press Release, 06/28/06 (<http://pib.nic.in/release/release.asp?relid=18602&kwid=>)

Post Comment: The custom notification regarding this was issued on June 28, 2006 (www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k6/cs66-2k6.htm).

The Director General of Foreign Trade (DGFT) also notified the change in import procedure on June 29, 2006 (<http://dgftcom.nic.in/exim/2000/not/not06/not1606.htm>).

SURGE IN WHEAT IMPORTS UNLIKELY DESPITE DUTY CUT

The government decision to slash the custom duty from 50 percent to 5 percent for wheat imported by the private sector is unlikely to trigger large-scale imports. It would cap domestic prices, which fits in with the government's objective of reining in inflation. Currently, flour millers in south India are paying rs. 10,200 to rs. 10,600 (\$222 to \$230) per ton for standard milling wheat procured from north India. Even at a landed price of \$190 per ton, the imported wheat would cost rs. 9,200 to the mill, inclusive of the 5 percent duty. Add to this the clearing and bagging expenses at the port (rs. 800 per ton) and internal

freight cost to the mill (rs. 600 per ton), the mill delivery price of imported wheat would be rs. 10,600 (\$230) per ton, which is higher than domestically sourced wheat. "The five percent duty works out [to] almost rs. 450 a ton, which is what makes imported wheat marginally more expensive. It is a clever move from the government side," said a leading trading company official. The moment domestic price crosses the imported wheat price level, imports would happen. (Source: Business Line, 06/30/06)

MONSANTO LIABLE FOR CONTEMPT OF COURT: ANDHRA

The Andhra Pradesh government has challenged Monsanto by filing a disapproval petition before the Monopolies and Restrictive Trade Practices Commission (MRPTC). The plea was filed on failure of Monsanto to abide by the Commission's order for reducing the 'trait value' for transgenic cotton in line with the prices prevalent in China. The State government had passed an order asking Monsanto to reduce this fee to Rs. 750 for a 450 gram seed per packet. Monsanto, however, reportedly reduced the value to rs. 880 from rs. 900 per packet. Monsanto justifies its stand by saying that the state government does not have jurisdiction to issue such an order. (Source: The Pioneer, 06/27/06)

Post Comment: The state's order on the price reduction is unclear as it does not specify whether its stipulated price of rs. 750 is inclusive of the trait component or not.

RESEARCH WINDFALL FOR AGRICULTURE

Rattled by the distress deaths of farmers in Viadarbha, Karnataka, and other parts of the country, the Union Cabinet has approved a rs. 12 billion (\$260 million) National Agricultural Innovation Project (NAIP) to strengthen agricultural research as part of its "renewed emphasis" on agriculture. The six-year project, involving \$200 million credit line from the World Bank, would be implemented from July 1 this year. The project will put transformation of the agriculture sector from "one based on food self-sufficiency to a market-driven one" on fast track and boost farm income. It will also accelerate development and application of innovations between public research organizations, farmers, private sectors, and other stakeholders. The Cabinet Committee on Economic Affairs has also approved an allocation of rs. 2 billion (\$44 million) for improving agricultural education for the remaining period of the Tenth Five Year Plan (2002-2007), over and above the rs. 7.2 billion already allocated. Under the NAIP, research would be done on production and consumption systems, sustainable rural livelihood security, and basic and strategic research in frontier areas in agricultural science. (Source: Hindustan Times & Economic Times, 06/30/06)

INDIGENOUSLY DEVELOPED Bt COTTON LIKELY BY 2007-08

Metahelix Life Sciences, a Bangalore-based company, is expected to develop a Bt cotton strain by 2007-08. The company's multi-locational field trails began this season. The company plans to price this strain 30 to 40 percent less than the prevalent prices for Bt cotton seeds. The Managing Director of the company also claims that its variety will have a broad-spectrum pest resistance that varieties currently in the market do not have. The central government has eased the regulatory procedure for commercial production of Bt cotton due to prevalence of spurious seed sales in the market. (Source: Financial Express, 06/27/06)

GM BRINJAL NOT HARMFUL TO ENVIRONMENT, SAYS MONSANTO

Mayhco – Monsanto India has developed a transgenic Brinjal (eggplant) in collaboration with the Indian Institute of Vegetable Research (IIVR), Indian Council of Agricultural Research (ICAR), Tamil Nadu Agricultural University, Cornell University, and University of Philippines.

The research done by Mahyco suggests that the GM brinjal's chemical composition is similar to other conventional varieties, which has been certified by the Council of Scientific and Industrial Research (CSIR) and the ICAR. The same Bollguard technology used for cotton has been used to develop GM brinjal with the same pest resistant traits. The developers claim GM brinjal has 54-113 percent more production capacity than existing varieties. Currently, growers of conventional varieties of brinjals use 25 to 80 plant protection chemicals to control pests. (Source: Financial Express, 06/27/2006)

RELIANCE SAYS ITS READY FOR RETAIL

Reliance Industries Limited will make an equity investment up to Rs. 100 billion (\$2.2 billion) in the group's new retail initiative through a wholly owned subsidiary Reliance Retail Limited (RRL). Reliance's giant ambitions in organized retailing will cover over 1500 cities and towns with outlets of varied formats like neighborhood convenience stores, supermarkets, specialty stores, and hypermarkets. In addition to selling food, groceries, apparel, lifestyle, home improvement products, and electronic goods, it will also offer products and services in energy, travel, health and entertainment. A supply chain, logistic, and information technology infrastructure would bring farmers, small shopkeepers, and consumers into partnership. RRL will also develop linkages and opportunities in agriculture and food processing that will support their organized retailing. (Source: Business Line, 06/28/06)

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